April 6, 2004

Office of the Comptroller of the Currency
Communications Division
Public Information Room
250 E Street, SW
Washington, DC 20219
RE: Docket No. 04-06

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
RE: Docket No. R-1181

Dear People:

This letter is in response to the bank regulatory agencies' request for public comment on the proposed changes to the Community Reinvestment Act (CRA) regulation.

UMB Financial Corporation (UMBFC) is a $7.7 billion bank holding company with five commercial banks and one credit card bank subject to CRA requirements. UMBFC's subsidiary banks have 153 branch offices in Missouri, Kansas, Colorado, Illinois, Oklahoma, and Nebraska. We appreciate this opportunity to submit our comments and this letter is on behalf of UMBFC and its bank subsidiaries, all of which are national banks.

Our comments are focused on two main issues. First, we support the agencies' proposal to revise the definition of small bank which has been articulated by the ABA. Second, we would like to see the regulation and/or the CRA questions and answers modified to address concerns we have about the Investment Test and the definition of "community development" activities.

I. Definition of Small Bank for CRA Purposes

We support the proposal to enlarge the number of banks and saving associations that will be examined under the small institution CRA examination. The Agencies propose to increase the asset threshold from $250 million to $500 million and to eliminate any

consideration of whether the small institution is owned by a holding company. This proposal is clearly a major step towards an appropriate implementation of the Community Reinvestment Act and should greatly reduce regulatory burden on those institutions newly made eligible for the small institution examination, and we strongly support both of them.

When the CRA regulations were rewritten in 1995, the banking industry recommended that community banks of at least $500 million be eligible for a less burdensome small institution examination. The most significant improvement in the new regulations was the addition of that small institution CRA examination, which actually did what the Act required: had examiners, during their examination of the bank, look at the bank's loans and assess whether the bank was helping to meet the credit needs of the bank's entire community. It imposed no investment requirement on small banks, since the Act is about credit not investment. It added no data reporting requirements on small banks, fulfilling the promise of the Act's sponsor, Senator Proxmire, that there would be no additional paperwork or recordkeeping burden on banks if the Act passed. And it created a simple, understandable assessment test of the bank's record of providing credit in its community: the test considers the institution's loan-to-deposit ratio; the percentage of loans in its assessment areas; its record of lending to borrowers of different income levels and businesses and farms of different sizes; the geographic distribution of its loans; and its record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment areas.

Since then, the regulatory burden on small banks has only grown larger, including massive new reporting requirements under HMDA, the USA Patriot Act and the privacy provisions of the Gramm-Leach-Bliley Act. But the nature of community banks has not changed. When a community bank must comply with the requirements of the large institution CRA examination, the costs to and burdens on that community bank increase dramatically. This imposition of a dramatically higher regulatory burden drains both money and personnel away from helping to meet the credit needs of the institution's community.

We believe that it is as true today as it was in 1995, and in 1977 when Congress enacted CRA, that a community bank meets the credit needs of its community if it makes a certain amount of loans relative to deposits taken. A community bank is typically non-complex; it takes deposits and makes loans. Its business activities are usually focused on small, defined geographic areas where the bank is known in the community. The small institution examination accurately captures the information necessary for examiners to assess whether a community bank is helping to meet the credit needs of its community, and nothing more is required to satisfy the Act.

As the Agencies state in their proposal, raising the small institution CRA examination threshold to $500 makes numerically more community banks eligible. However, in reality raising the asset threshold to $500 million and eliminating the holding company limitation would retain the percentage of industry assets subject to the large retail institution test. It would decline only slightly, from a little more than 90% to a little less

than 90%. That decline, though slight, would more closely align the current distribution of assets between small and large banks with the distribution that was anticipated when the Agencies adopted the definition of "small institution." Thus, the Agencies, in revising the CRA regulation, are really just preserving the *status quo* of the regulation, which has been altered by a drastic decline in the number of banks, inflation and an enormous increase in the size of large banks. We believe that the Agencies need to provide greater relief to community banks than just preserve the *status quo* of this regulation.

While the small institution test was the most significant improvement of the revised CRA, it was wrong to limit its application to only banks below $250 million in assets, depriving many community banks from any regulatory relief. Currently, a bank with more than $250 million in assets faces significantly more requirements that substantially increase regulatory burdens without consistently producing additional benefits as contemplated by the Community Reinvestment Act. In today's banking market, even a $500 million bank often has only a handful of branches. We recommend raising the asset threshold for the small institution examination to at least $1 billion. Raising the limit to $1 billion is appropriate for two reasons. First, keeping the focus of small institutions on lending, which the small institution examination does, would be entirely consistent with the purpose of the Community Reinvestment Act, which is to ensure that the Agencies evaluate how banks help to meet the credit needs of the communities they serve.

Second, raising the limit to $1 billion will have only a small effect on the amount of total industry assets covered under the more comprehensive large bank test. According to the Agencies' own findings, raising the limit from $250 to $500 million would reduce total industry assets covered by the large bank test by less than one percent. According to December 31, 2003, Call Report data, raising the limit to $1 billion will reduce the amount of assets subject to the much more burdensome large institution test by only 4% (to about 85%). Yet, the additional relief provided would, again, be substantial, reducing the compliance burden on more than 500 additional banks and savings associations (compared to a $500 million limit). Accordingly, we urge the Agencies to raise the limit to at least $1 billion, providing significant regulatory relief while, to quote the Agencies in the proposal, not diminishing "in any way the obligation of all insured depository institutions subject to CRA to help meet the credit needs of their communities. Instead, the changes are meant only to address the regulatory burden associated with evaluating institutions under CRA."

In conclusion, we strongly support increasing the asset-size of banks eligible for the small bank streamlined CRA examination process as a vitally important step in revising and improving the CRA regulations and in reducing regulatory burden. We also support eliminating the separate holding company qualification for the small institution examination, since it places small community banks that are part of a larger holding company at a disadvantage to their peers and has no legal basis in the Act. While community banks, of course, still will be examined under CRA for their record of helping to meet the credit needs of their communities, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from community banks that are drowning in regulatory red-tape.

I. A. Specific Implications for UMBFC and its Subsidiaries

If the proposed change in the definition of small banks is approved, UMBFC's three smallest banks would be relieved of the burden and costs associated with maintaining records necessary to undergo examination under the large bank examination procedures. Each of the three commercial banks in our system with assets of less than $500 million are relatively small players in their defined assessment areas with market shares of less than four percent. Two of these banks would be considered small under the existing regulation if not for their affiliation with our holding company.

- UMB Bank Colorado, n.a. with total assets of $397 million has two assessment areas. In Denver the bank's deposit market share is 0.60%. In Colorado Springs the bank's deposit market share is 2.93%. The largest banks operating in these MSAs have market shares of 20.04% and 22.13% respectively. The deposit market leaders in these assessment areas are 34 and 8 times larger than UMB.
- UMB Bank Omaha, n.a. with total assets of $86 million has one assessment area and a market share of 0.19%. The largest bank operating in this MSA has a market share of 30.69%, i.e. is 158 times larger than UMB.
- UMB Bank Warsaw, n.a. with total assets of $89 million has one assessment area consisting of Henry and Benton counties in Missouri. The bank has a market share of 3.14% while the largest bank operating in this assessment area has a market share of 25.37%, i.e. is 8 times larger than UMB.

Clearly none of these banks could be considered large based on either total assets or market share. Although these banks are able to offer a wider range of services due to their affiliation with UMBFC and UMB Bank, n.a., for mortgage, consumer and small business / agricultural loans these UMB banks have more in common and are in direct competition with community banks subject to small bank examination procedures. Due to differences in small bank and large bank exam procedures and report formats, we believe it is difficult for members of the public to compare performance evaluations of similar banks operating in the same community.

Revising the definition of banks subject to small bank CRA examination procedures would reduce bank recordkeeping requirements without impacting banks' commitment to serving the credit needs of their communities. Specifically, this modification would reduce the burden on banks to document community development loan, investment and service activities and the time spent by regulatory agencies reviewing this information. Based upon recent exams, we found that documenting community development activities was by far the most time-consuming aspect of exam preparation and the review of this information represented the largest expenditure of examiners' time.

II. Other CRA Issues

Regardless of the outcome of the proposal to revise the definition of small bank, the bank regulatory agencies need to address issues associated with the investment test and the

definition of community development activities which impacts the loan, investment and service test.

A. Investment Test

The Investment Test is not mandated by the Community Reinvestment Act and should not routinely be included as part of large bank performance evaluations. The investment test is not necessary in order to assess bank performance in serving community credit needs. Most banks make ample mortgage, consumer, business and community development loans which are substantially similar to community development investments.

Emphasis on investments to achieve CRA objectives is contrary to the historically justification for bank investment portfolios which are intended to assure liquidity rather than serve as a primary source of credit. The bank regulatory agencies adopted the definitions of loans and investments for call report purposes for purposes of defining community development loans and investments; however, the differences are irrelevant from a CRA perspective, both are extensions of credit. This is illustrated by the fact that banks have the option to report certain financial instruments as either loans or an investment.

From a risk management perspective, it is inappropriate for bank regulatory agencies to construct rating systems designed to press banks into purchasing specific assets types. The list of qualified community development investments is quite short and some qualified investments such as low income housing tax credits are complex in nature and somewhat unproven. It is even more objectionable that this is being done without the explicit authorization of Congress and the fact that the definition of community development is complex and ambiguous, and it is very difficult to obtain examiner approval of community development investments that are clearly qualified.

We recommend that the CRA regulation be revised to eliminate the Investment Test. Banks should be given the option of reporting qualified community development investments to examiners for evaluation similar to how community development loans are currently handled. Another alternative would be to drop community development loans from the loan test and evaluate community development loans and investments together under a separate Community Development Loan / Investment Test.

B. Prior vs. Current Period Investments

If the Investment Test continues to be used, several issues such as the weight assigned to prior period investments and current period investments needs to be addressed. Historically, investments have been for longer periods of time than loans and banks should receive long-term CRA credit for long-term investments. The terms of most investments far exceed CRA exam cycles. A very significant community development investment with significant on-going impact should not be discounted based upon the origination date of the investment. If a bank invested 100% of its investment portfolio in

a qualified long-term community development investment and held it to maturity, it would receive full credit at the time of its next CRA exam. However, at the time of the following exam, there might be zero current period investments and a very large prior period investment. Clearly, placing greater emphasis on current period investments than prior period investments is not justified. Current agency practices are not in line with the Act or the 12 CFR 25.23(e)(1) which makes no distinction between current period and prior period investments.

Since the Act and regulation do not state that current period investments should receive more consideration than prior period investments and this has never been put out for public comment, we suggest that the agencies clarify through the CRA questions and answers (Q&A) that current period and prior period investments should receive the same weight or work to modify the regulation so that it accurately describes this rating criteria.

C. Investment Test and Relative Bank Size

One bank regulatory agency has asserted that banks with multiple assessment areas should participate in community development activities in each assessment area at a level consistent with the bank holding company size and the size of the bank. Clearly, the size of the bank holding company is irrelevant for CRA purposes since the law and regulation apply to banks and not holding companies. However, we also take exception to the notion that a bank can be equally involved and participate at the same level in each of its assessment areas. UMB Bank, n.a. has twenty assessment areas. In several of these, we are the market leader and are more involved in community development activity. However, in some assessment areas, we only have one or two small branch offices and a very low market share. For example in one MSA, UMB has $15 million in deposits or a 0.2% market share while the largest bank operating in that market has $1.7 billion and a 22.23% market share. The market leader in terms of deposits is 111 times larger than UMB. It is not reasonable to suggest that both banks should have the same level of community development investments or that UMB would have the same level of community development involvement as it does in markets where UMB is a market leader.

We recommend that the questions and answers be clarified to indicate that for banks with multiple assessment areas, the level of investments in each assessment area needs to be measured in relation to the bank's deposits attributable to each assessment area and is not based upon the bank's size or bank holding company's size.

D. Community Development Primary Purpose

During a recent CRA training session, a knowledgeable examiner remarked that one of the most common mistakes by examiners is placing over reliance on use of "over 50%" in order to determine the primary purpose of a community development activity contrary to Q&A __12(i)-7. Based upon recent interactions, we agree. Too often examiners reject bank community development activities because the bank cannot definitively state that more than 50% of the benefit was for a qualified community development purpose.

There are several problems with this issue. First, many businesses, government units and charities do not maintain records in a manner that allows them to accurately answer this question. Second, obtaining a statement about the percentage is not specifically required by the Act or regulation. Third, in some cases the answer is evident given the mission of the organization.

We recommend that the regulatory agencies expand Q&A __12(i)-7 to further clarify this matter and continue to emphasize this issue in examiner training. We also suggest that in addition to the Q&A and bank examination procedures, examiner training materials be made available to bankers and members of the public.

E. State and Local Community Development Initiatives

The Q&A to __.12(h)(4) – 1 (What are activities that revitalize or stabilize a low- or moderate-income geography?) states, "Activities that revitalize or stabilize a low- or moderate-income geography are activities that help to attract and retain businesses and residents. Examiners will presume that an activity revitalizes or stabilizes a low- or moderate-income geography if the activity has been approved by the governing board of an Enterprise Community or Empowerment Zone (designated pursuant to 26 U.S.C. § 1391) and is consistent with the board's strategic plan. They will make the same presumption if the activity has received similar official designation as consistent with a federal, state, local or tribal government plan for the revitalization or stabilization of the geography. To determine whether other activities revitalize or stabilize a low- or moderate-income geography, examiners will evaluate the activity's actual impact on the geography, if information about this is available. If not, examiners will determine whether the activity is consistent with the community's formal or informal plans for the revitalization and stabilization of the low- or moderate-income geography."

Given the existing Q&A, it is clear that bank examiners should not be second guessing state and local government officials in determining whether state and local government plans are worthy. If state and local governments develop plans to address revitalization of low / moderate-income areas, these plans should be accepted by bank examiners without question. State and local government leaders are responsible for providing leadership, developing community development action plans to address problems in their communities and are accountable to voters. Bank regulatory agencies should encourage bankers to fully support state and local government community development initiatives without bankers having to worry whether federal banking regulators will agree to classify such activities as community development.

At times we believe examiners focus on specific aspects of redevelopment efforts rather than on the big picture which may impact multiple census tracts or an entire city. This is particularly evident when the project involves museums, theaters, or other educational, entertainment, or recreational facilities. Rather than focusing on who may use the facility, examiners should focus on the employment opportunities, elimination of blight

in the community, increased property values / tax base, and the benefit of increased traffic and sales opportunities for businesses that are located in or near the facility.

Sometimes targeted redevelopment projects are located in middle-income census tracts. State enterprise zones do not always follow census tract boundaries and at times incorporate sections of middle-income census tracts. Based upon our reading the Q&A, we believe that redevelopment projects in middle-income census tracts that are designated as enterprise zones or similarly designated redevelopment areas may be qualified community development projects.

In past examinations, we presented supplemental data on the make-up of middle-income census tracts that demonstrated that certain community development activities were located in low / moderate-income block groups. This helped examiners understand that the bank was making a loan or investment in a low / moderate-income area within a middle-income census tract. However, during the latest examination, the regulatory agency declined to consider such analysis. This ignores the needs of people who happen to live in low / moderate-income areas of middle-income census tracts and fails to recognize bank efforts to address conditions in these areas.

Our banks continue to work with cities, counties, states and federal government sponsored redevelopment efforts in order to address community needs. Rather than establishing hurdles, bank regulatory agencies should wholeheartedly embrace bank participation in state and local government redevelopment efforts.

We suggest that the CRA questions and answers be revised to clearly state that projects undertaken as part of state, regional or city redevelopment plans and/or are located in Enterprise Zones, Special Impact Areas, or similar government designated redevelopment areas are community development. No other qualification criteria is necessary.

We also suggest that the Q&A be clarified to emphasize that projects involving museums, theaters or other educational, entertainment, or recreational facilities qualify as community development activities if these projects are undertaken as part of state, regional or city redevelopment plans and/or are located in Enterprise Zones, Special Impact Areas, or similar government designated redevelopment areas.

We suggest that the CRA questions and answers be revised to clearly state that projects undertaken as part of state, regional or city redevelopment plans and/or are located in Enterprise Zones, Special Impact Areas, or similar government designated redevelopment areas are community development even if projects are in middle-income areas.

We suggest that the Q&A be revised to state that for purposes of qualifying community development activities, examiners should consider supplemental data on the income characteristics of block groups if the bank chooses to submit such data. Due to the high volume of transactions, this is not feasible for CRA or HMDA loans. However, for community development activities the volume is much lower and banks may wish to provide supplemental data.

F. City and County-wide Community Development Initiatives

There are a few cities and counties in our bank's assessment areas where the majority of the census tracts in the city or county are low / moderate-income areas. In some cases, we have found it very hard to qualify city-wide and county-wide community development efforts because local government units can not state that the majority of the investment was going to be used in low / moderate-income areas. We understand that certain improvements in middle / upper-income areas have no significant community development impact. However, if the development activity is part of a large-scale plan to address city or county-wide problems in a city or county that is predominately low / moderate-income, examiners should view these as qualifying even if city and county government officials cannot demonstrate specifically where improvements will be made. This issue came up recently involving a bond issue for a staged multi-year improvement plan designed to address a large back-log of deferred street, sewer and building maintenance in one of the older urban areas within one of our assessment areas. Bank regulatory agencies should not arbitrarily disqualify an investment in such a project, because the location of specific improvement is unknown. Rather than assume that funds will not be disbursed evenly, they should focus on the fact that general improvements to the city's infrastructure will benefit the entire city or county, most of which is low / moderate-income.

We recommend that the Q&A be clarified to indicate that loans and investments to cities, counties or other government units which consist mostly of low / moderate-income census tracts qualify as community development. It should not necessary for these government units to demonstrate that proceeds went to low / moderate-income area, particularly if the benefit of the project is city or county-wide.

G. State-wide Community Development Initiatives

Since the focus of state programs such as Missouri Housing Development Commission (MHDC) and Colorado Housing and Finance Authority (CHFA) is on affordable housing, we believe that any investment in bonds issued by these entities should qualify as community development. These are not like GNMA and FNMA bonds which have a broader focus and provide funding for low, moderate, middle and upper income individuals. However, we have been told that investments in state affordable housing bonds will not qualify as community development because part of the bonds may be going to fund affordable housing outside our bank's assessment areas. In order for an investment in MHDC or CHFA to qualify, we would need to ensure that the bulk of the loans were to individuals living within our bank's assessment areas. Some have interpreted CRA Q&A _.12(i) – 6 to mean that investments in regional programs only qualify as community development if the bank has first met its responsibilities within its assessment areas.

We believe the federal banking agencies should fully support state affordable housing bond issues and not impose burdens on banks and state agencies by requiring them to

demonstrate where specific bond proceeds were used. However, it would be reasonable to require that bank's demonstrate that state housing authorities are active in those assessment areas where the bank allocates the investment. We recommend that Q&A _.12(i) – 6 be revised to address this issue.

H. Federal Community Development Initiatives

Similar to programs that have been undertaken as community development activities by state and local government entities, certain community development projects that have been undertaken or approved by federal government agencies should be accepted on the face as qualified community development activities under CRA. In one case an examiner questioned investments in projects that were approved and funded under HUD programs that were specifically designed to address the needs and improve conditions of low / moderate-income individuals through a city's Consolidated Plan. As defined by HUD, a Consolidated Plan is written by state and local governments, describing the housing needs of the low- and moderate-income residents, outlining strategies to meet the needs and listing all resources available to implement the strategies. This document is required to receive HUD Community Planning and Development funds. The Consolidated Plan is used to define a government's priorities for addressing housing, homeless, and community and economic development needs. Community and economic development needs under the Consolidated Plan requirements must target low- and moderate-income individuals or areas.

This situation suggests that bank regulatory agencies are at odds with HUD on the value of certain activities. Banks should be encouraged to participate and support federal redevelopment programs. Failure to count these projects as qualified community development activities causes confusion and may eventually lessen bank support for these programs.

We recommend that the CRA questions and answers be clarified to indicate that bank investments in HUD approved Consolidated Plans qualify as a community development investment for CRA purposes.

I. Minority Community Development Initiatives

Over emphasis on the regulation and existing interpretations may sometimes cause examiners to miss the bigger picture and reject activities that are clearly community development. The bank views support for organizations involved in minorities education and other issues as community development; however, some of these investments were rejected by examiners because the bank could not demonstrate that most of the proceeds went to benefit low / moderate-income individuals. In our attempt to qualify certain donations, we contacted schools and scholarship foundations to find that they either did not maintain the records that the examiners asked for or granted scholarships based upon academics rather than based upon need. To the extent that the bank can demonstrate that in its assessment area there is a high correlation between race and low / moderate-income

individuals, the bank should not have to prove that the bulk of the funds went to benefit low / moderate-income individuals.

It is ironic that at the same time regulatory agency personnel in Washington are encouraging banks to increase their focus on emerging markets of minorities and immigrants, banks are told that certain minority initiatives don't qualify as community development activities.

We recommend that the questions and answers be clarified to specifically state that for assessment areas where there is a high correlation between minority populations and low / moderate-income populations that any investment in minority educational institutions or other minority programs is a qualified community development activity.

J. Community Development Documentation Burden

Since assuming responsibility for UMBFC's CRA management program, I have been surprised to learn how much time and energy is expended on recordkeeping that is necessary in order to address regulatory requirements and bank examiner requests. We estimate that annual CRA and HMDA data reporting required at least 4,800 hours of loan officer, loan operation, compliance management, audit and CRA management time. During 2003 we spent nearly 2,000 hours on the identification and documentation of community development loan, investment and service activities. Although not specifically mandated by law or regulation, without this effort the examiners could not fully assess bank community development performance. In reality, this recordkeeping is required by the regulatory agencies' CRA exam process.

As noted earlier, documentation of community development loan, investment and service activities was the largest single expenditure of time during UMBFC's last round of CRA examinations. In order to fulfill examiner inquiries, bank personnel were required to contact numerous business customers, government officials and charitable organizations to inquire about the percent of services that were directed to low / moderate-income areas or to low / moderate-income individuals. In addition to the burden on bankers, this was an unnecessary distraction for our customers, government officials and charitable organizations. In many cases, we were asked to obtain information that these organizations did not maintain. As a result these organizations had to perform research and call us back with the results. In some cases, we believe the community development purpose was self-evident given the mission of the organization and obtaining a statement from the organization was not necessary in order for the examiners to reach a decision about whether an activity qualified as community development.

Since the regulation does not specify any record-keeping requirements for community development activities or apply to third parties that banks deal with and this is one of the largest expenditures of bank and bank examiners' time, we suggest that the agencies work on methods to reduce the record-keeping burden and minimize the number of unnecessary requests. The results should then be communicated via Q&A revisions and examiner training efforts.

For community development activities that qualify as economic development through the financing of small businesses or for the purpose of revitalization / stabilization of low / moderate-income areas, we were consistently asked to quantify the number of low/mod income workers employed by our loan customers which in turn required us to call and request information from our customers. However, based upon the definitions within regulation and the questions and answers this is not specifically prescribed.

We recommend that the regulatory agencies expand CRA questions and answers to state that banks do not have to gather information about employee incomes in order to qualify community development loans as economic development through the financing of small businesses. We also recommend that the agencies clarify when loan customer employee income information is necessary in order to qualify loans that are for the purpose of revitalization / stabilization of low and moderate-income areas.

K. Omissions and Reclassification of Community Development Assets

If a bank discovers that it inadvertently omitted qualified community development investments from the list provided at the time of a CRA exam or subsequently reclassifies assets from loans to investments, we have been told that a bank cannot receive credit for the full amount of its outstanding community development investments at the time of the next CRA examination. To arbitrarily reject qualified investments because they were not reported at the time of the last exam implies that reporting accuracy is not important to regulatory agencies. Banks are generally encouraged to bring reporting errors to the surface and in some cases re-file information that is thought to be erroneous. This concept should be adopted for CRA reporting and should apply to both banks and bank examiners.

We recommend that the agencies expand the CRA questions and answers to specifically state that investments that were omitted from the list of community development investments provided to examiners at the time of the last exam due to inadvertent error or subsequent asset reclassification may be added at the time of the next exam. In order to prevent double counting, the agencies could specify that no investment could be counted if it was previously reported as a small business loan or as a community development loan.

L. Changes in Examiner Decisions on Community Development Investments

We have noted inconsistencies between examiner decisions on what constitutes community development from exam to exam, i.e. certain donations that qualified at the time of the previous exam were rejected during the latest exam. Some of these may have been the result of examiner error and some the result of changes in regulatory interpretations. Regardless, we believe it is reasonable for banks to rely on prior examiner determinations in making decisions about large future community development donations.

We recommend that the questions and answers be expanded to state that if an examiner error is discovered or regulatory interpretations change between exams and bank management relied on prior exam conclusions, the bank should receive credit for those investments that it made prior to being informed of the examiner error or change in interpretation. However, additional investments to disqualified activities will not count going forward.

M. Summary

The Community Reinvestment Act and its implementing regulations are very general in nature and provide little concrete direction on how banks will be evaluated under the Investment Test and what qualifies as "community development" under the regulation. In their efforts to establish examination guidelines for banks and bank examiners, and ensure consistency between examiners, the bank regulatory agencies have provided us with their regulatory interpretations in the form of various questions and answers (Q&A). Understandably, this is an evolving process and not all critical issues have been fully addressed. At times we believe examiners are too stringent in their application of existing Q&A and tend to disqualify community development activities that should be counted. As a result, we have asked bank regulatory agencies to revisit specific sections of the regulation and Q&A. The definition of community development is significant to large banks because 100% of their Investment Test performance is based upon the amount of donations and portfolio investments that qualify as community development under CRA. We hope that areas of confusion can be addressed so banks and bank examiners can move from debates over exam rating criteria, recordkeeping issues, and definitions to focusing attention on substantive community development activities.

Thank you for this opportunity to comment on the proposed changes to the CRA regulation and on other issues that affect the CRA examination process. If you or your staff has any questions on the matters raised in this letter, please contact me via phone or e-mail at (816) 860-7574 or james.riley@umb.com. My mailing address is 1010 Grand Boulevard, Kansas City, Missouri 64106.

Sincerely,

James L. Riley
Senior Vice President and Director of
Community Investment Services
UMB Financial Corporation

Copy:
Crosby Kemper, III
Arthur G. Heise